

Foreign Grants and Credits

U. S. Government, Fiscal 1954

GRANTS and credits by the United States Government to foreign countries, measured by actual deliveries or payments, totaled \$5.2 billion in fiscal year 1954. This was a decline of one-fifth from fiscal year 1953. Both grants in the form of military supplies and services, and other net grants and credits declined in about the same proportion.

Transfers of military supplies and services exceeded \$1 billion in the June 1954 quarter—reflecting increased shipments to Indochina—but the lower rate in the preceding three quarters held the total for the year to \$3.5 billion, which compares with the postwar military grant peak of \$4.3 billion in the preceding fiscal year.

Net transfers on other grants and credits decreased steadily through the four quarters, aggregating \$1.6 billion for the fiscal year, a postwar low. These “nonmilitary” grants and credits include all relief, development, and technical cooperation assistance and all cash transfers to foreign governments except the contributions to the multilateral-construction program of the North Atlantic Treaty Organization. The last are included in the “military” category along with military “hardware” and other end-items, and military training and similar services.

Postwar assistance \$50 billion

In the 4 years since the Communist invasion of South Korea, the United States has supplied nearly \$11 billion in military grants to the NATO participants and our other allies, exclusive of the resources in manpower and material expended directly by the United States in the Korean conflict. The 4-year total of other assistance provided these countries was an approximately equivalent amount, although less was given each successive year.

In the 5 years from V-J Day to Korea, \$26 billion net grants and net credits had been given or lent by the United States Government. Only 5 percent of this pre-Korean assistance was military.

In total, inclusive of the capital investment of \$3.4 billion in the International Bank for Reconstruction and Development and International Monetary Fund, this Government has made available over \$50 billion in net postwar assistance to other countries. Half of this total has been provided under the mutual security program and its closely related predecessor programs for European recovery (beginning in 1948), mutual defense assistance (1949), and technical cooperation (1950).

Transfers to Europe off

For the first time since before World War II net transfers of other than military items to Western Europe (\$700 million) were less than to other areas (\$940 million). As table 1 shows, Western European aid had declined over \$500 million in the year, while other areas aggregated a \$150-million net increase, principally as a result of increased grants to Iran and Pakistan and loans to Brazil and Japan.

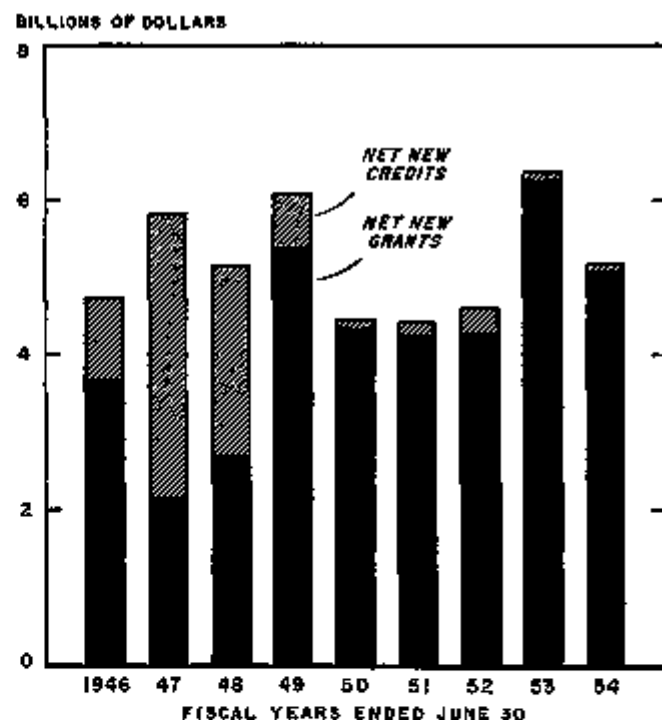
NOTE.—MR. KERBER IS A MEMBER OF THE BALANCE OF PAYMENTS DIVISION, OFFICE OF BUSINESS ECONOMICS.

This trend is also evident in military grants, although it was less pronounced. Transfers of military supplies and services to Western European countries participating in the North Atlantic Treaty Organization were comparatively stable during the year, but at a rate one-fifth below fiscal year 1953. On the other hand, after December 1953 the quarterly volume of military transfers under title III of the Mutual Security Act of 1951, covering Asia and the Pacific, more than doubled, so that the decline in deliveries to this area was less than 10 percent for the year.

Agricultural commodities

In the past year use of agricultural goods for defense support and other foreign assistance increased.

Postwar Foreign Grants and Credits



OFFICE OF BUSINESS ECONOMICS, U. S. D. C.

54-39-5

Wheat valued at \$70 million was given to Pakistan after a disastrous crop failure there, and wheat and flour to the value of \$7 million were shipped for famine relief to Jordan, Libya, and Bolivia. Through American private voluntary relief organizations, the Agriculture Department donated milk, butter, and cheese with an estimated value of \$67 million. Over \$250 million worth of agricultural products from the United States was included in other mutual security program aid, and Army food shipments to Korea were valued at \$20 million.

For fiscal year 1954 Congress had authorized (under section 550 of the Mutual Security Act of 1951) sale of surplus agricultural commodities for foreign currencies which are, in turn, being used to provide grants and credits abroad, both to the purchasing and to third countries. Of the \$245 million obligated for this purpose, approximately half had been shipped by June 30. However, only \$15 million of the resulting foreign currency proceeds was disbursed. The latter amount was for defense support payments to the United Kingdom and hence is included in the grant data. The use of surplus products for the extension of foreign grants or loans will be further expanded by appropriations for the current year.

Shipments of military equipment

Increased transfers of tanks and other vehicles, with equipment and spares, accounted for the \$160-million rise in military grant transfers under the mutual security program in the last quarter of fiscal year 1954. Almost one-third of the total value of military supplies reported shipped in that quarter was in this category. For the year as a whole other ordnance equipment—principally arms, artillery, and ammunition—represented the largest category of military assistance. Aggregating over \$1 billion, these shipments included 9,000 artillery pieces, 21 million rounds of artillery ammunition, and 700 million rounds of small arms and machine gun ammunition.

Deliveries of aircraft and equipment declined in value throughout fiscal year 1954, totaling half a billion dollars. This decline was partially compensated by the increasing value of transfers of vessels and equipment which aggregated one-third of a billion dollars in fiscal year 1954.

European military assistance includes \$104 million the United States Government contributed to the multilateral construction program designed to provide supporting facilities for NATO operations. United States contributions of \$202 million through fiscal year 1954 represent somewhat more than one-fourth of the total United States share authorized by the Congress in August 1954. The United States contributes about 38 percent of the jointly financed construction program agreed upon by all NATO countries.

Foreign procurement contracts

One-eighth of the military goods transferred abroad in the year ended June 1954 was purchased from foreign countries under the "offshore procurement" program. Total deliveries under offshore procurement contracts since the beginning of the program approximated \$650 million by the end of June 1954. New contracts less cancellations during the fiscal year and recent months leave about \$1.9 billion in outstanding offshore procurement contracts still to be delivered.

About one-third of these outstanding orders was in France, where over a billion dollars worth of orders was placed in 1952 and 1953, but only a nominal amount in the past fiscal year.

Armed Forces support

Orders in France in fiscal years 1952 and 1953 included about \$400 million under special programs designed to give assistance to that country through procurement by the United States of military end-items for use by the French forces, including the troops in Indochina. End-item deliveries under these special programs approximated \$150 million in each of the fiscal years 1953 and 1954.

During fiscal year 1954 some \$75 million more of military equipment was purchased in France under the regular offshore program. The French dollar position was considerably

helped by these and other United States Armed Forces purchases in that country (see Survey, August 1954, p. 7).

However, last year grants were also provided through reimbursement for French and Associated States of Indochina costs of forces in Indochina, in addition to offshore procurement of items returned to France as military grants.

Direct financial payments by the United States Government to the French included \$31 million in the first quarter of 1954 and \$65 million disbursed in the second quarter from the \$745 million made available by Congress and Presidential transfers as direct forces support to help defray French and Associated States costs in Indochina in calendar year 1954. From July through September over \$125 million more was disbursed for this purpose.

Last year's appropriation included also \$85 million in financial assistance for manufacturing of military goods which had not been disbursed by June 30.

In 3 of the past 4 years France was the principal recipient of United States Government grant transfers, omitting deliveries of military end-items. In the last year, because of the \$96-million direct forces support payments, net grant transfers to France increased slightly to total \$276 million.

United States collections

The balance of \$56 million due from the French Government on the July-August 1952 Export-Import Bank loan was repaid during the past year. The loan—advanced against anticipated French earnings under offshore-procurement contracts placed earlier in 1952—had helped ease the then difficult French dollar balance of payments problem. In August 1953, the French drew \$100 million in a similar advance on 1953 contracts; in consequence of an improved dollar earning position, they completely repaid this loan in March, 15 months before the final repayment was due. As a result of these large loan repayments, and the regular annual principal repayments of \$71 million on postwar credits, total net grants and credits to France for the year, other than transfers of military end-items, were slightly under those to the United Kingdom.

United Kingdom grants halved

Large allotments of economic assistance funds made in fiscal years 1952 and 1953 were drawn upon heavily by the United Kingdom in the latter year. Transfers against these earlier allotments and a current smaller one totaled half as much (\$197 million) in fiscal year 1954 as in the preceding fiscal period.

A defense support payment of \$15 million in sterling proceeds from agricultural commodity sales was disbursed in the June 1954 quarter. The United Kingdom will receive further payments in sterling which we had obtained from these sales; \$45 million from the fiscal year 1954 program was undisbursed at the year end. Like the French, the British at the end of June had not received the \$85 million appropriated for fiscal year 1954 for financial assistance for manufacturing of military goods—in this instance, aircraft. An appropriation of \$35 million was added to this program for fiscal year 1955, to be paid in sterling obtained through United States export of surplus agricultural commodities.

United Kingdom principal repayments on the \$3½-billion loan and surplus property and war-account settlements were unchanged (\$53 million) in the last year as were overall new loan disbursements for development of resources in British overseas territories.

Grants for Germany

Grants to Germany in the 12 months ended June 30, 1954, mirrored the continued allotments made to the Federal

Table 1.—Summary of Foreign Grants and Credits, Military and Other, by Major Country: July 1, 1945 through June 30, 1954
(Millions of dollars)

| Major country | Total postwar period | Before Korean invasion | After Korean invasion | | | | | | | |
|--|----------------------|------------------------|-----------------------|------------------|------------------|------------------|------------------|---------------------|-----------------------|--------------------|
| | | | Total | Fiscal year 1951 | Fiscal year 1952 | Fiscal year 1953 | Fiscal year 1954 | | | |
| | | | | | | | Total | July-September 1953 | October-December 1953 | January-March 1954 |
| Net grants and credits..... | 46,647 | 26,200 | 26,578 | 4,430 | 4,610 | 4,305 | 5,193 | 1,404 | 1,293 | 1,779 |
| Net grants..... | 34,641 | 18,881 | 18,849 | 3,263 | 3,278 | 3,259 | 4,073 | 219 | 1,276 | 1,342 |
| Gross new grants..... | 30,590 | 10,112 | 20,428 | 4,301 | 4,444 | 4,420 | 5,107 | 1,246 | 1,260 | 1,263 |
| Less: Prior grants converted into credits..... | 2,526 | 1,250 | 1,000 | | | | 1,000 | | | |
| Less: Reverse grants and returns..... | 1,442 | 874 | 568 | 130 | 108 | 167 | 94 | 20 | 23 | 21 |
| Net credits..... | 11,495 | 9,269 | 1,718 | 146 | 335 | 186 | 1,199 | 1,285 | 22 | -23 |
| New credits..... | 11,673 | 9,255 | 2,340 | 422 | 650 | 335 | 624 | 284 | 100 | 87 |
| Plus: Prior grants converted into credits..... | 2,386 | 1,250 | 1,000 | | | | 1,000 | 1,000 | | |
| Less: Principal collections..... | 2,924 | 1,204 | 1,622 | 200 | 324 | 820 | 504 | 180 | 147 | 107 |
| MILITARY GRANTS | | | | | | | | | | |
| Net grants..... | 12,181 | 1,372 | 10,808 | 1,132 | 1,805 | 4,320 | 3,541 | 377 | 847 | 848 |
| Gross grants..... | 12,234 | 1,320 | 10,961 | 1,145 | 1,872 | 4,361 | 3,602 | 340 | 849 | 851 |
| Less: Reverse grants and returns..... | 154 | 1 | 152 | 13 | 67 | 41 | 61 | 3 | 3 | 3 |
| Western Europe (including Greece and Turkey): | | | | | | | | | | |
| Net grants..... | 9,107 | 507 | 8,593 | 814 | 1,264 | 3,406 | 2,708 | 688 | 703 | 679 |
| Asia and Pacific: | | | | | | | | | | |
| Net grants..... | 2,709 | 709 | 1,070 | 180 | 284 | 777 | 731 | 131 | 134 | 155 |
| American Republics: | | | | | | | | | | |
| Net grants..... | 181 | | 181 | (?) | 115 | 21 | 45 | 15 | 7 | 11 |
| Unspecified: | | | | | | | | | | |
| Net grants..... | 124 | 0 | 118 | 29 | 42 | 26 | 12 | 3 | 2 | 3 |
| OTHER GRANTS AND CREDITS | | | | | | | | | | |
| Net grants and credits..... | 34,665 | 24,886 | 9,769 | 3,277 | 2,805 | 2,085 | 1,650 | 647 | 453 | 331 |
| Net grants..... | 23,501 | 15,010 | 6,081 | 3,121 | 2,470 | 1,930 | 1,530 | -418 | 430 | 304 |
| Gross new grants..... | 27,203 | 17,720 | 9,467 | 3,543 | 2,673 | 2,036 | 1,615 | 406 | 469 | 413 |
| Less: Prior grants converted into credits..... | 2,256 | 1,250 | 1,000 | | | | 1,000 | 1,000 | | |
| Less: Reverse grants and returns..... | 1,288 | 873 | 415 | 129 | 103 | 103 | 85 | 23 | 20 | 18 |
| Net credits..... | 11,003 | 9,228 | 1,718 | 156 | 335 | 186 | 1,120 | 1,185 | 22 | -23 |
| New credits..... | 11,676 | 9,235 | 2,340 | 422 | 650 | 335 | 624 | 284 | 100 | 87 |
| Plus: Prior grants converted into credits..... | 2,256 | 1,250 | 1,000 | | | | 1,000 | 1,000 | | |
| Less: Principal collections..... | 2,283 | 1,384 | 1,622 | 205 | 324 | 820 | 504 | 180 | 147 | 107 |
| Western Europe and dependent areas: | | | | | | | | | | |
| Net grants and credits..... | 25,009 | 18,746 | 8,344 | 2,428 | 1,951 | 1,344 | 789 | 286 | 115 | 161 |
| Net new grants..... | 19,073 | 11,440 | 6,032 | 2,481 | 1,913 | 1,308 | 915 | 221 | 217 | 207 |
| Net new credits..... | 7,017 | 7,305 | 2,888 | -7 | 49 | -124 | -207 | 46 | -103 | -108 |
| Prior grants converted into credits..... | 1,970 | 670 | 1,000 | | | | 1,000 | 1,000 | | |
| Austria: | | | | | | | | | | |
| Net grants and credits..... | 1,803 | 700 | 304 | 101 | 136 | 47 | 20 | 3 | 9 | 4 |
| Net grants..... | 998 | 677 | 313 | 104 | 141 | 50 | 15 | 3 | 5 | 3 |
| Net credits..... | 13 | 23 | -10 | -3 | -5 | -4 | 2 | (?) | 1 | (?) |
| Belgium-Luxembourg: | | | | | | | | | | |
| Net grants and credits..... | 734 | 600 | 183 | 117 | 30 | 2 | -3 | -1 | (?) | (?) |
| Net grants..... | 575 | 420 | 155 | 125 | 19 | 7 | 5 | 1 | -1 | -1 |
| Net credits..... | 159 | 180 | -22 | -8 | 1 | -8 | -10 | -2 | -1 | -2 |
| Denmark: | | | | | | | | | | |
| Net grants and credits..... | 283 | 185 | 98 | 34 | 36 | 8 | 4 | 3 | 2 | (?) |
| Net grants..... | 243 | 133 | 100 | 56 | 30 | 0 | 5 | 3 | 2 | (?) |
| Net credits..... | 40 | 52 | -2 | -2 | -1 | -1 | -1 | | | -1 |
| France: | | | | | | | | | | |
| Net grants and credits..... | 4,082 | 3,700 | 1,272 | 425 | 405 | 280 | 161 | 99 | 15 | -12 |
| Net new grants..... | 3,405 | 2,050 | 1,388 | 421 | 400 | 272 | 278 | 42 | 30 | 30 |
| Net new credits..... | 1,574 | 1,651 | -116 | -6 | -4 | 16 | -118 | 57 | -45 | -104 |
| Prior grants converted into credits..... | 363 | 599 | | | | | | | | |
| Germany: | | | | | | | | | | |
| Net grants and credits..... | 3,830 | 3,833 | 747 | 450 | 180 | 10 | 70 | 10 | 28 | 54 |
| Net new grants..... | 3,034 | 2,867 | 767 | 470 | 123 | 81 | 64 | 13 | 35 | 85 |
| Net new credits..... | 100 | 210 | -20 | -10 | 87 | -83 | -18 | -5 | -5 | -5 |
| Prior grants converted into credits..... | 1,000 | | 1,000 | | | | 1,000 | 1,000 | | |
| Greece: | | | | | | | | | | |
| Net grants and credits..... | 1,230 | 770 | 454 | 121 | 184 | 95 | 51 | 9 | 10 | 10 |
| Net grants..... | 1,158 | 670 | 423 | 125 | 188 | 102 | 57 | 11 | 11 | 12 |
| Net credits..... | 81 | 90 | -19 | -2 | -4 | -7 | -5 | -1 | -1 | -2 |
| Italy: | | | | | | | | | | |
| Net grants and credits..... | 2,603 | 1,900 | 703 | 263 | 125 | 124 | 103 | 17 | 24 | 44 |
| Net grants..... | 2,453 | 1,832 | 701 | 273 | 143 | 118 | 118 | 24 | 32 | 42 |
| Net credits..... | 300 | 367 | -98 | -14 | (?) | -28 | -10 | -7 | -8 | 2 |
| Netherlands: | | | | | | | | | | |
| Net grants and credits..... | 1,478 | 857 | 519 | 140 | 49 | 17 | 13 | -1 | 6 | 9 |
| Net new grants..... | 638 | 512 | 325 | 173 | 60 | 44 | 23 | 4 | 8 | 9 |
| Net new credits..... | 238 | 345 | -107 | -32 | -38 | -26 | -11 | -6 | -3 | (?) |
| Prior grants converted into credits..... | 47 | 47 | | | | | | | | |
| Norway: | | | | | | | | | | |
| Net grants and credits..... | 310 | 103 | 117 | 44 | 32 | 26 | 15 | 4 | 4 | 7 |
| Net new grants..... | 209 | 94 | 115 | 54 | 28 | 15 | 15 | 1 | 4 | 7 |
| Net new credits..... | 100 | 96 | 2 | -3 | 6 | 5 | (?) | 3 | (?) | (?) |
| Prior grants converted into credits..... | 0 | 0 | | | | | | | | |
| Spain: | | | | | | | | | | |
| Net grants and credits..... | 01 | (?) | 01 | (?) | 24 | 23 | 13 | 5 | 3 | -3 |
| Net grants..... | 1 | (?) | 1 | (?) | | | 1 | | 1 | -1 |
| Net credits..... | 01 | | 01 | | 24 | 23 | 12 | 5 | 7 | -3 |
| Turkey: | | | | | | | | | | |
| Net grants and credits..... | 304 | 75 | 189 | 30 | 70 | 48 | 35 | 4 | 8 | 17 |
| Net grants..... | 310 | 9 | 189 | 1 | 70 | 50 | 39 | 5 | 7 | 18 |
| Net credits..... | 06 | 60 | 20 | 29 | 0 | -5 | -4 | -1 | -1 | -1 |
| United Kingdom: | | | | | | | | | | |
| Net grants and credits..... | 0,620 | 5,793 | 1,077 | 344 | 234 | 345 | 154 | 83 | -6 | 46 |
| Net new grants..... | 3,067 | 1,862 | 1,905 | 390 | 250 | 363 | 101 | 83 | 42 | 23 |
| Net new credits..... | 3,013 | 3,931 | -128 | -34 | -16 | -30 | -38 | (?) | -47 | (?) |
| Prior grants converted into credits..... | 608 | 508 | | | | | | | | |
| Yugoslavia: | | | | | | | | | | |
| Net grants and credits..... | 853 | 811 | 341 | 85 | 84 | 103 | 42 | 22 | 1 | 0 |
| Net new grants..... | 308 | 290 | 280 | 62 | 89 | 106 | 42 | 22 | 1 | 0 |
| Net new credits..... | 54 | 12 | 43 | 35 | 5 | 2 | (?) | (?) | (?) | (?) |
| Prior grants converted into credits..... | 1 | 1 | | | | | | | | |
| Other and unspecified Western Europe: | | | | | | | | | | |
| Net grants and credits..... | 1,141 | 514 | 627 | 221 | 393 | 68 | 39 | 6 | 8 | 10 |
| Net grants..... | 858 | 289 | 569 | 177 | 280 | 47 | 20 | 0 | 0 | 0 |
| Net credits..... | 283 | 225 | 58 | 47 | 7 | 1 | 3 | -1 | 1 | 1 |

Table 1.—Summary of Foreign Grants and Credits, Military and Other, by Major Country: July 1, 1945 through June 30, 1954—Continued

(Millions of dollars)

| Major country | Total postwar period | Before Korean invasion | After Korean invasion | | | | | | | | |
|--|----------------------|------------------------|-----------------------|------------------|------------------|------------------|------------------|---------------------|-----------------------|--------------------|-----------------|
| | | | Total | Fiscal year 1951 | Fiscal year 1952 | Fiscal year 1953 | Fiscal year 1954 | | | | |
| | | | | | | | Total | July-September 1953 | October-December 1953 | January-March 1954 | April-June 1954 |
| OTHER GRANTS AND CREDITS—Continued | | | | | | | | | | | |
| Eastern Europe: | | | | | | | | | | | |
| Net grants and credits..... | 1,095 | 1,107 | -12 | -2 | -35 | -4 | 9 | 2 | 4 | 2 | (1) |
| Net new grants..... | 1,810 | 1,011 | -1 | -15 | -15 | -15 | 12 | 3 | 5 | 3 | 1 |
| Net new credits..... | 85 | 86 | -12 | -2 | -2 | -4 | -4 | -2 | -1 | -1 | -1 |
| Prior grants converted into credits..... | 222 | 222 | | | | | | | | | |
| Near East and Africa: | | | | | | | | | | | |
| Net grants and credits..... | 579 | -5 | 584 | 86 | 107 | 136 | 193 | 28 | 61 | 66 | 42 |
| Net new grants..... | 346 | -71 | 416 | 45 | 110 | 103 | 169 | 21 | 51 | 61 | 30 |
| Net new credits..... | 233 | 65 | 168 | 43 | 56 | 35 | 24 | 8 | 10 | 10 | 4 |
| Prior grants converted into credits..... | 9 | 0 | | | | | | | | | |
| Iran: | | | | | | | | | | | |
| Net grants and credits..... | 110 | 14 | 96 | 2 | 11 | 18 | 68 | 11 | 28 | 17 | 12 |
| Net new grants..... | 94 | 1 | 94 | (?) | 10 | 18 | 58 | 11 | 28 | 17 | 12 |
| Net new credits..... | 16 | 13 | 3 | 1 | 1 | | | | | | |
| Prior grants converted into credits..... | 0 | 0 | | | | | | | | | |
| Israel: | | | | | | | | | | | |
| Net grants and credits..... | 323 | 32 | 290 | 64 | 105 | 72 | 80 | 6 | 14 | 27 | 10 |
| Net grants..... | 298 | 1 | 299 | 18 | 63 | 60 | 50 | 0 | 14 | 25 | 12 |
| Net credits..... | 123 | 32 | 91 | 30 | 41 | 13 | 1 | -1 | (?) | 2 | (?) |
| Other and unspecified Near East and Africa: | | | | | | | | | | | |
| Net grants and credits..... | 116 | -62 | 177 | 32 | 61 | 40 | 66 | 14 | 10 | 16 | 10 |
| Net new grants..... | 80 | -72 | 152 | 27 | 37 | 27 | 31 | 4 | 9 | 8 | 5 |
| Net new credits..... | 35 | 20 | 75 | 6 | 14 | 22 | 34 | 9 | 10 | 8 | 5 |
| Prior grants converted into credits..... | (?) | (?) | | | | | | | | | |
| Other Asia and Pacific: | | | | | | | | | | | |
| Net grants and credits..... | 6,499 | 3,976 | 2,514 | 611 | 623 | 423 | 457 | 164 | 642 | 87 | 73 |
| Net new grants..... | 5,420 | 3,000 | 1,774 | 282 | 416 | 404 | 371 | 127 | 130 | 86 | 58 |
| Net new credits..... | 1,079 | 310 | 342 | 29 | 207 | 20 | 88 | 27 | 12 | 32 | 16 |
| Prior grants converted into credits..... | 49 | 43 | | | | | | | | | |
| China—Taiwan (Formosa): | | | | | | | | | | | |
| Net grants and credits..... | 1,004 | 810 | 275 | 25 | 80 | 90 | 71 | 12 | 22 | 21 | 15 |
| Net new grants..... | 1,036 | 750 | 286 | 33 | 102 | 83 | 71 | 12 | 22 | 21 | 16 |
| Net new credits..... | 51 | 60 | -13 | -7 | -2 | -2 | -1 | (?) | (?) | (?) | (?) |
| Prior grants converted into credits..... | 60 | 60 | | | | | | | | | |
| India: | | | | | | | | | | | |
| Net grants and credits..... | 294 | 14 | 280 | 5 | 171 | 40 | 29 | 7 | 12 | 4 | 0 |
| Net new grants..... | 27 | -25 | 42 | 5 | 2 | 28 | 29 | 7 | 12 | 4 | 0 |
| Net new credits..... | 227 | 40 | 157 | | 169 | 18 | | | | | |
| Prior grants converted into credits..... | 2 | 2 | | | | | | | | | |
| Indonesia: | | | | | | | | | | | |
| Net grants and credits..... | 221 | 104 | 82 | (?) | 22 | 10 | 20 | 1 | 8 | 1 | 11 |
| Net grants..... | 101 | 84 | 18 | (?) | 2 | 4 | 4 | 1 | 1 | 1 | 1 |
| Net credits..... | 127 | 81 | 47 | (?) | 18 | 10 | 16 | (?) | 7 | (?) | 10 |
| Japan and Ryukyu Islands: | | | | | | | | | | | |
| Net grants and credits..... | 2,400 | 1,973 | 316 | 323 | 120 | -16 | 32 | 33 | 3 | 35 | 11 |
| Net grants..... | 2,400 | 1,950 | 441 | 325 | 90 | 18 | 1 | 1 | (?) | (?) | (?) |
| Net credits..... | 0 | 14 | 75 | -3 | 30 | -32 | 31 | 32 | 3 | 36 | 11 |
| Korea: | | | | | | | | | | | |
| Net grants and credits..... | 941 | 306 | 576 | 104 | 100 | 190 | 128 | 36 | 38 | 12 | 22 |
| Net grants..... | 920 | 344 | 570 | 104 | 100 | 190 | 128 | 36 | 38 | 12 | 22 |
| Net credits..... | 21 | 21 | | | | | | | | | |
| Pakistan: | | | | | | | | | | | |
| Net grants and credits..... | 102 | (?) | 103 | (?) | 1 | 18 | 32 | 30 | 61 | 2 | 2 |
| Net grants..... | 87 | (?) | 87 | (?) | 1 | 4 | 34 | 30 | 61 | 2 | 2 |
| Net credits..... | 16 | | 16 | | | 14 | | | | | |
| Philippines: | | | | | | | | | | | |
| Net grants and credits..... | 393 | 623 | 185 | 143 | 7 | 27 | 8 | -1 | 8 | 3 | -3 |
| Net grants..... | 725 | 656 | 171 | 100 | 15 | 26 | 19 | 4 | 7 | 5 | 3 |
| Net credits..... | 79 | 66 | 13 | 34 | -11 | 2 | -11 | -5 | 1 | -2 | -1 |
| Other and unspecified Asia and Pacific: | | | | | | | | | | | |
| Net grants and credits..... | 163 | 10 | 148 | 12 | 47 | 47 | 42 | 9 | 15 | 11 | 7 |
| Net new grants..... | 132 | -1 | 133 | 0 | 42 | 43 | 41 | 8 | 14 | 11 | 7 |
| Net new credits..... | 31 | 20 | 10 | 0 | 5 | 4 | 1 | 1 | (?) | (?) | 1 |
| Prior grants converted into credits..... | 1 | 1 | | | | | | | | | |
| American Republics: | | | | | | | | | | | |
| Net grants and credits..... | 296 | 343 | 595 | 84 | 38 | 169 | 245 | 169 | 109 | 21 | 6 |
| Net new grants..... | 288 | 127 | 42 | 15 | 17 | 21 | 30 | 4 | 7 | 9 | 3 |
| Net new credits..... | 697 | 217 | 481 | 79 | 11 | 175 | 215 | 105 | 102 | 12 | -3 |
| Prior grants converted into credits..... | 2 | 2 | | | | | | | | | |
| Brazil: | | | | | | | | | | | |
| Net grants and credits..... | 297 | 60 | 329 | -7 | -1 | 123 | 205 | 98 | 100 | 9 | (?) |
| Net grants..... | 14 | 0 | 7 | 1 | 1 | 3 | 2 | (?) | (?) | (?) | -1 |
| Net credits..... | 361 | 59 | 322 | -8 | -2 | 120 | 204 | 97 | 99 | 8 | |
| Mexico: | | | | | | | | | | | |
| Net grants and credits..... | 207 | 149 | 67 | 6 | -3 | 31 | 21 | 7 | 5 | 4 | 4 |
| Net grants..... | 103 | 83 | 20 | 8 | 5 | 2 | 3 | (?) | 2 | 2 | 1 |
| Net credits..... | 104 | 67 | 37 | -8 | -7 | 29 | 18 | 4 | 3 | 2 | 3 |
| Other and unspecified American Republics: | | | | | | | | | | | |
| Net grants and credits..... | 302 | 135 | 177 | 06 | 22 | 36 | 10 | 5 | 4 | 9 | 2 |
| Net new grants..... | 90 | 35 | 55 | 5 | 11 | 16 | 23 | 3 | 5 | 7 | 2 |
| Net new credits..... | 212 | 90 | 122 | 01 | 21 | 13 | -3 | 2 | -1 | 2 | -4 |
| Prior grants converted into credits..... | 2 | 2 | | | | | | | | | |
| International organizations and unspecified areas: | | | | | | | | | | | |
| Net grants and credits..... | 197 | 731 | 370 | 57 | 31 | 41 | 30 | 7 | 39 | -1 | 2 |
| Net grants..... | 511 | 612 | 140 | 42 | 28 | 28 | 42 | 5 | 19 | 0 | 8 |
| Net credits..... | 64 | 38 | 27 | 15 | 13 | 6 | -6 | 1 | 1 | -6 | 2 |

1. Less than \$600,000. 2. Negative entry of less than \$500,000. 3. Includes aid furnished through international organizations.

NOTE.—For principles of valuation, sources, and methods see technical note accompanying this article. Source: U. S. Department of Commerce, Office of Business Economics.

Republic for economic assistance to Berlin. Germany was also the principal recipient of the milk, butter, and cheese which the Agriculture Department made available to private voluntary relief organizations for distribution abroad and these shipments accounted for the year's increase in transfers to the Republic.

Not assistance to Germany in the preceding year was dominated by repayments on the 1951 and 1952 Export-Import Bank loans granted for the purchase of cotton and tobacco. More recently transactions on credits consisted principally of accelerated repayments on the outstanding balance of the surplus property credit, as adjusted in the debt settlement of 1953.

Beginning in July 1953, shipments valued at \$13 million were sent as part of the mutual security program through Berlin to alleviate the food shortages in East Germany.

European declines widespread

With the general improvement in economic conditions in Western Europe, and the curtailment of a general economic assistance program for that area, reductions from the preceding year exceeding \$50 million affected net nonmilitary grants and credits to Italy and Yugoslavia, in addition to those to France and the United Kingdom, described above.

Contrary to the trend, grants to Yugoslavia increased again in the June quarter, after a decline in the September 1953 quarter.

Recent increases were also noticeable in transfers to Greece and Turkey. Grants to Greece included large payments to settle its deficit in clearing accounts with other members of the European Payments Union. These special purpose payments represented about 44 and 35 percent of United States Government grants to Greece in the past 2 years, respectively. Turkey had received similar payments in the earlier year. Excluding these payments, grants to Turkey increased by one-fifth over the previous year.

Portugal was an exception to the decline of net nonmilitary grants and credits because of increased loan disbursements by the Export-Import Bank for the construction of the Pafuri railroad link in Mozambique.

Near East grants stable

Grants to the Arab countries continued on balance at about the same rate as in the preceding year. These grants were primarily for technical assistance but included shipments of wheat for emergency famine relief in Jordan and Libya. The grants to specific countries were about twice as large as in fiscal year 1953, more than offsetting the decrease from \$16 million to \$8½ million in United States Government contributions paid to the United Nations Relief and Works Agency for Palestine Refugees.

During fiscal year 1954, Israel received 30 percent of the exports of agricultural commodities donated by the United States Government through American private voluntary relief agencies. The decline in economic development assistance furnished under the mutual security program was offset by the \$20 million in shipments under the Agriculture Department program.

Aid to Iran and Pakistan

As noted above, the large increases of \$54 million in assistance to Iran and of \$64 million to Pakistan in the past year were a significant factor in the swing in United States Government nonmilitary aid emphasis from Europe.

In August 1953 a \$45-million grant for emergency economic assistance, including budgetary support, was au-

thorized for Iran. An additional \$15 million was added to this authorization between January and June 1954 to maintain the flow of essential imports. Local currency proceeds from the import program are used to meet the operating costs of the Iranian Government. These grant allotments were made by the United States Government to assist in restoring economic and political stability to Iran.

Pakistan, suffering from severe drought conditions, received \$15 million in wheat in fiscal year 1953 on repayment terms. With a worsening of the situation, Congress authorized a special grant of 700,000 tons of American wheat for relief and transfer of 300,000 tons for a wheat reserve. Shipments began late in June 1953 and in April 1954 the Government of Pakistan announced that the food situation had improved and that not all of the relief grant and none of the reserve transfer would be required. Over 610,000 tons of wheat were shipped, aggregating \$77 million in value, including United States Government freight payments when required.

Food production expanded

Disbursements under the development assistance and technical cooperation program to Pakistan, initiated on a large scale the previous year, expanded in the last fiscal year to total \$8 million. This program places considerable emphasis on food production.

In India, United States Government financial assistance for development and other purposes was also directed to food production. Annual payments for such grants, in part used for fertilizer and irrigation projects, continued relatively unchanged at \$28 million. In preceding years, India has received large quantities of wheat from the United States Government, principally on a repayment basis.

Rehabilitation of Korea

Immediately after the Korean Armistice, the rate of grants of civilian supplies by the Armed Forces to Korea declined three-fourths. A new program, designed to help rehabilitation, was undertaken by the Foreign Operations Administration and began expanding late in the year. Meanwhile, Korea received shipments purchased from the payments of \$15 million made to the United Nations Korean Reconstruction Agency during fiscal year 1954, in addition to \$41 million provided the preceding year as a contribution through that international organization.

New funds provided for grant assistance to Korea for fiscal year 1955 were equal to the unexpended funds at the end of June and made available a total in excess of \$400 million for forthcoming economic assistance. Expenditure of these funds will soon restore the rate of Korean grants to previous high levels.

Indochina grants higher

Direct grant assistance to Indochina increased during the year and was comprised primarily of industrial equipment, machinery, vehicles, and fuel to maintain essential supply in the area.

Dollar payments to the French for support of forces in Indochina are made by the United States Government in Paris and are reported in the data for France. These disbursements, discussed above, helped to meet the costs of the French Expeditionary Corps and the Associated States Forces.

Programs for island countries

Net nonmilitary grants to Taiwan (Formosa) and the Philippines went down in the past year. The Philippines

significantly increased their principal repayments on credits, which considerably reduced the total annual net grants and credits to the Republic. The annual rate of net loan utilization by Indonesia for development projects and the smaller technical cooperation program continued unchanged.

Japanese net credit utilization increased \$113 million in the past two fiscal years. Japan first paid off the Export-Import Bank \$40-million cotton credit of fiscal year 1952 and then drew on a new \$40-million credit extended in April 1953 and a \$60-million credit extended in October 1953. The first loan was at 2½ percent interest, while the latter two were at 3½ percent. These cotton credits are extended with 15-month repayment terms. The most recent utilization was from commercial agent banks of the Export-Import Bank. Thus, no United States Government funds were

grants mirrored the resurgence of foot-and-mouth disease in Mexico and the famine relief shipments of wheat and wheat flour to Bolivia.

Funds available

The present session of Congress extensively reviewed the size and scope of the United States Government foreign aid programs. Including the new appropriations for fiscal year 1955 the amount of grants and credits potentially available for transfer to foreign countries at the beginning of the fiscal year aggregated \$16 billion.

More of the assistance than last year is to be placed on a repayable credit basis. Other basic trends which were initiated last year are continued. Transfer of surplus agricultural commodities for foreign currencies which are to be used for grants and credits will increase. Aid to Western Europe will continue to decline; that to the Asiatic countries is programmed to increase. Technical assistance is to be more sharply focused on instruction and demonstration by restricting the provision of commodities and equipment to those necessary for such purposes.

Utilizations and appropriations

The total of carryover plus new legislative authority is shown in table 2. Utilization by cash transfer or delivery of a commodity or service to a foreign country generally occurs some time after the enactment of legislative authority.

Some part of aid appropriations is required to be used for the purchase of surplus agricultural commodities in the United States which are then sold for foreign currencies. Ultimate use of the foreign currencies in the provision of foreign grants or credits may be extended over a long time.

The carryover shown in table 2 includes the undisbursed lending authority of the Export-Import Bank, which is in the nature of a revolving fund and is not restricted to obligation or disbursement in a particular period. The total lending power of the Bank was increased to \$5 billion in August. In addition, the amounts available for credits include \$200 million which the Mutual Security Act of 1954 stipulated in section 505 must be on a loan basis if expended.

At the end of fiscal year 1954 the United States Government had \$11.8 billion in medium- and long-term loans outstanding to foreign countries, exclusive of World War I debts. These credits were extended principally in the first few postwar years, as the chart shows. Principal collections on these credits have exceeded \$500 million in each of the last 2 years while interest collections on the outstanding amounts rose one-fourth to total \$272 million last year.

More farm products authorized

As was indicated above, about \$225 million remains in potential expenditures of foreign currencies obtained from sale of surplus agricultural commodities under section 550 of the Mutual Security Act of 1951, as amended in 1953. Of that amount, approximately \$80 million has been set aside for the purchase of military equipment produced abroad to be retransferred as military grants.

This program is now expanded to include almost \$800 million of the nonmilitary grant funds available for use in fiscal year 1955 and subsequent years. Under the recent legislation at least \$350 million of the new aid funds must be used through the foreign currency sales procedure. Further, the Agriculture Trade Development and Assistance Act (Public Law 480) includes authority for 3 years to insti-

Table 2.—Foreign Grant and Credit Authorizations Available in Fiscal Year 1955

(Billions of dollars)

| Source of availability | Total | Military assistance (grants) ¹ | Other aid | | |
|--|-------|---|-----------|--------|---------|
| | | | Total | Grants | Credits |
| Available in fiscal year 1954, total..... | 11.1 | 11.7 | 5.4 | 2.9 | 2.5 |
| Estimated carryover from fiscal year 1953..... | 12.5 | 9.8 | 3.5 | 1.5 | 2.0 |
| New authorizations for fiscal year 1955..... | 5.2 | 3.4 | 1.8 | 1.8 | — |
| Principal collections on Export-Import Bank loans during fiscal year 1954..... | .4 | — | .4 | — | .4 |
| Transfers between sources and lapses in fiscal year 1954..... | — | — | — | — | — |
| Less: Utilization in fiscal year 1954..... | 5.6 | 3.4 | 2.2 | 1.4 | .6 |
| Equals: Estimated aid still to be furnished as of June 30, 1954, from prior authorizations..... | 12.3 | 8.1 | 4.3 | 2.3 | 1.9 |
| Additional provided by 83d cong., 2d sess., total..... | 3.4 | 1.2 | 2.4 | 1.7 | .7 |
| Emergency famine relief (title II, Public Law 480)..... | .3 | — | .3 | .3 | — |
| Expansion of Export-Import Bank lending power (Public Law 531)..... | .5 | — | .5 | — | .5 |
| Mutual security (Public Law 779)..... | 2.6 | 1.2 | 1.0 | 1.4 | .2 |
| Estimated availability for foreign aid in fiscal year 1955, and for carryover into fiscal year 1956..... | 15.9 | 9.3 | 6.6 | 4.0 | 2.6 |

1. Does not include cash payments for direct foreign support, which are included in "other" grants.

2. \$6.7 billion is committed to various countries; \$1.2 billion represents EIB uncommitted lending authority.

3. Does not include amounts which may possibly be made available from foreign currencies obtained under title I of the Agricultural Trade Development and Assistance Act (Public Law 480).

Source: U. S. Department of Commerce, Office of Business Economics.

actually disbursed, although the United States Government assumes the risk on these credits and the outstanding notes may be purchased from the agent banks by the Export-Import Bank to the extent of principal in default.

American Republics credit activity

One-third of the new loan disbursements in fiscal year 1954 was to Brazil, which drew the \$180-million remainder from the special \$300-million loan extended by the Export-Import Bank in February 1953 to consolidate and liquidate past-due dollar accounts with American exporters. Brazil also drew \$37 million on development loans during the year, an increase of one-half over the previous year in this type of loan.

Development loans to Mexico in the 12 months ended June 30, 1954 (\$25 million) were 42 percent less than the preceding year. Ten other countries shared in the remaining annual disbursements of \$34 million.

Brazilian and Mexican loan repayments, \$13 million and \$10 million respectively, were slightly under the comparable figures for the preceding year. Fourteen other American Republics made payments totaling \$37 million.

Technical cooperation grants to the American Republics continued with little change in fiscal year 1954. Increased

(Continued on page 20)

In commercial debt totals. These revisions are relatively small in the aggregate and have not been carried back beyond 1945.

Other revisions for recent years have resulted from the incorporation of additional basic data not previously available.

In table 4, the distribution of local government debt by types of civil divisions shown for

1950 and subsequent years is not strictly comparable with that shown for 1949 and earlier years because of changes in the Bureau of the Census classification of those units, particularly cities and special districts. (See "Governmental Debt in 1951," Bureau of the Census, December 1951.)

Debt statistics for 1949 and earlier years are given in the SURVEY issue of September 1953.

National Income and Corporate Profits

(Continued from p. 6)

major airplane manufacturers' profits up from last year, the total for transportation equipment other than autos was much less affected than were profits of the other industries in the metals group. Among the nonmetals, sharp relative declines took place in the lumber and furniture industries.

The nondurables group total was off 13 percent. Petroleum refining and food, which together accounted for about two-fifths of total profits in this group in the first half of 1953,

showed only fractional declines. Chemicals, which had earned one-fourth of the total nondurables profits, were down about 15 percent. Profits in paper and printing were off relatively somewhat less, while decreases in most other nondurables industries ranged higher, being sharpest in textiles and apparel.

Apart from the variation between the durables and nondurables groups, there has been some difference also between the profits experience of small and large manufacturing companies since mid-1953. The initial decline in total before-tax profits of small corporations in most industries appears to have been comparatively sharp, but their relative position has subsequently tended to improve.

Profits in transportation have been reduced not only by the decline in revenue consequent upon reduced shipments of durables and basic materials but also by the gradual rise in emergency amortization charges on defense facilities. Table 4 reflects the characteristic volatility of profits in this industry, in which fixed costs normally take a large fraction of total revenues.

In the communication and public utilities group, the upward trend of total profits has been sustained by the general economic growth and a backlog of unfilled demand, to meet which an extensive program of facilities expansion is being carried forward.

Profits in the "all other" group shown in table 4 have been lower in the first half of this year. The largest single factor in their decline was a drop in trade profits with the softening in the market for automobiles.

Table 4.—Corporate Profits Before Tax, by Major Industries, Half-yearly, 1950-54

(Millions of dollars, unadjusted for seasonal variation)

| | 1950 | | 1951 | | 1952 | | 1953 | | 1954 |
|--|----------|---------|----------|---------|----------|---------|----------|---------|------|
| | 1st half | 2d half | 1st half | 2d half | 1st half | 2d half | 1st half | 2d half | |
| All industries, total..... | 15.2 | 24.7 | 21.7 | 19.4 | 18.3 | 16.5 | 21.1 | 18.8 | 17.4 |
| Mining..... | .0 | .8 | .7 | .7 | .6 | .0 | .6 | .7 | .7 |
| Manufacturing..... | 9.0 | 14.7 | 13.5 | 11.0 | 10.4 | 10.0 | 12.3 | 9.5 | 9.8 |
| Durable-goods industries.... | 5.2 | 8.6 | 7.0 | 6.3 | 6.1 | 5.7 | 7.5 | 5.3 | 6.4 |
| Nondurable-goods industries.... | 3.0 | 6.2 | 5.0 | 4.7 | 4.3 | 4.3 | 4.7 | 4.3 | 4.1 |
| Transportation..... | .5 | 1.4 | .9 | 1.1 | .9 | 1.1 | 1.0 | .8 | .4 |
| Communications and public utilities..... | 1.1 | 1.1 | 1.3 | 1.3 | 1.0 | 1.6 | 1.3 | 1.7 | 1.9 |
| All other industries..... | 4.0 | 7.2 | 6.3 | 5.2 | 4.9 | 5.7 | 5.4 | 5.7 | 4.8 |

Source: U. S. Department of Commerce, Office of Business Economics.

Foreign Grants and Credits

(Continued from p. 18)

tute direct transfer of surplus agricultural commodities to foreign countries for famine relief. This Act also facilitates greater Government donation of commodities through the private voluntary relief organizations and additional credits and military grants with foreign currencies obtained from the sale of surplus agricultural commodities.

Technical Note

The measure of foreign grants and credits generally is in terms of goods delivered or shipped by the United States Government, services rendered by the United States Government, or cash disbursed by the United States Government to or for the account of a foreign government or other foreign entity. Return of grants and principal collections are measured in similar fashion.

For security reasons military aid furnished under the mutual security program cannot be shown by country, but only by areas as designated in authorizing legislation. Transfers of

military assistance generally reflect the cost of shipment of the equipment; in particular data for Asia and the Pacific include shipments to Indochina while those for Western Europe include shipments to France, a part of which may have replaced equipment used by the French forces in Indochina. Military aid to Europe includes supplies, services, and contributions to the multilateral construction program of the North Atlantic Treaty Organization. The latter item is treated in the balance-of-payments computations as a military purchase of services rather than a grant (see SURVEY, August 1954, p. 6).

Grants include agricultural surpluses donated by the Government for distribution abroad through American voluntary relief agencies. Credits include loans which have been extended by the United States Government to private entities in the country specified, in some instances with the guarantee of the foreign government indicated.

"Military equipment loans" are included as part of military grants; these "loans" are essentially transfers on an indeterminate basis, generally requiring only the return of the identical item, if available. In essence, this was the requirement pertaining to wartime lend-lease transfers of war materiel, which were similarly treated in these statistics. Values noted at time of return are not necessarily equal to the original "loan" value.

Data are based upon reports submitted by operating agencies of the United States Government. Some figures given for grants are partly estimated. Data for 1954 are preliminary.

Further definition and explanation of these data are contained in the Foreign Aid supplement of the SURVEY OF CURRENT BUSINESS, published in November 1953, and available at \$1.00 from the Superintendent of Documents, Washington 25, D. C., or the various Department of Commerce field offices.